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Supreme Court, U.S.
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No._____

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1997

STUTZ MOTOR CAR OF AMERICA, INC. - Petitioner

VS.

REEBOK INTERNATIONAL LTD. - Respondent

ON PETITION FOR A WRIT OF CERTIORARI TO

UNITED STATES COURT OF APPEALS

FOR THE FEDERAL CIRCUIT

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

I

HAVING BROUGHT TO THE LOWER COURTS, SUBSTANTIAL CREDIBLE EVIDENCE AND RENOWNED EXPERT WITNESS TESTIMONY, SHOULDN'T WE BE GIVEN OUR CONSTITUTIONAL RIGHT TO A JURY TRIAL?

II

IF THE DECISIONS MADE BY THE LOWER COURT JUDGES, WERE CLOUDED AND PREJUDICED BY DIVERSIONARY ISSUES AND BLATANT FALSITIES, SHOULDN'T THEIR DECISIONS BE OVERTURNED AND THE ISSUES PUT FORTH TO A JURY?

III

DID THE STATE, IN THE FORM OF THESE LOWER COURT JUDGES, UNCONSTITUTIONALLY DEPRIVE STUTZ MOTOR CAR OF AMERICA OF ITS PROPERTY?

LIST OF PARTIES

All parties appear in the caption of the case on the cover page.

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Letters from Reebok to Stutz Motor Car of America, Inc.

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1997

PETITION FOR WRIT OF CERTIORARI

Petitioner respectfully prays that a writ of certiorari issue to review the judgement below.

OPINIONS BELOW

The opinion of the United States Court of Appeals appears at Appendix A to the petition and has been designated for publication but is not yet reported.

STATEMENT OF JURISDICTION

The date on which the United States Court of Appeals decided the case was May 16, 1997.

No petition for rehearing was filed in the case.

The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

CONSTITUTIONAL PROVISIONS INVOLVED

THE SEVENTH AMENDMENT

IN SUITS AT COMMON LAW, WHERE THE VALUE IN CONTROVERSY SHALL EXCEED TWENTY DOLLARS, THE RIGHT OF TRIAL BY JURY SHALL BE PRESERVED, AND NO FACT TRIED BY A JURY, SHALL BE OTHERWISE REEXAMINED IN ANY COURT OF THE UNITED STATES, THAN ACCORDING TO THE RULES OF THE COMMON LAW.

THE FOURTEENTH AMENDMENT

ALL PERSONS BORN OR NATURALIZED IN THE UNITED STATES, AND SUBJECT TO THE JURISDICTION THEREOF, ARE CITIZENS OF THE UNITED STATES AND OF THE STATE WHEREIN THEY RESIDE. NO STATE SHALL MAKE OR ENFORCE ANY LAW WHICH SHALL ABRIDGE THE PRIVILEGES OR

IMMUNITIES OF CITIZENS OF THE UNITED STATES; NOR SHALL ANY STATE DEPRIVE ANY PERSON OF LIFE, LIBERTY, OR PROPERTY, WITHOUT DUE PROCESS OF LAW; NOR DENY TO ANY PERSON WITHIN ITS JURISDICTION THE EQUAL PROTECTION OF THE LAWS.

STATEMENT OF CASE AND BRIEF OF MERITS

We are appealing the decision of the United States Court of Appeal for the Federal Circuit, Judges Archer, Skelton, and Michel. Their decision affirming the United States District Court, Central District of California under Judge Lourdes J. Baird grant of Reebok's Motion for Summary Judgement for Noninfringement and on other grounds on all claims asserted by Stutz in that court is in error and extremely unfair to Stutz Motor Car of America's right to a jury trial.

The subject matter of the dispute arises from our belief, which is supported by documents, correspondence, meetings, witnesses, and expert opinion , that Reebok infringed Stutz's patent and misappropriated trade secrets in its manufacture and distribution of shoes incorporating an internal air bladder known as "The Pump". The patent disputes in this matter arise from claimed infringement of United States patent No. 4,610,099 issued on September 9,

1986, owned by Stutz by assignment. The trade secret claims arise from information alleged to have been disclosed to Reebok by Stutz involving the same general design but not covered by the patent.

This is a big case with enormous implications regarding the fairness of doing business in the United States of America. Stutz Motor Car of America is a prestigious, elegant, world famous maker of fine automobiles. It is renowned for its integrity, both in its designs and in its business practices. Since the beginning of this century in America, it has been at the forefront of automotive design and technological breakthroughs that other car manufacturers emulated. Stutz was the first to lower the center of gravity in the automobile, which allowed for the creation of almost all modern cars in America. Stutz was the first to have safety glass in automobiles, which prevented casualties and serious injuries due to accidents. Though Stutz was a small company with limited resources and almost no sales for extended periods of time, in the mid-80's it developed a carbon fiber composite for use in commercially produced cars before any

major company. This same, virtually indestructible material was used in the Space Shuttle, satellites, and the B-2 Bomber. It was only natural that it would pursue to develop technologies in other areas to further enhance its business; i.e. high-tech sports shoes.

As a result of Reebok's predatory, larcenous, prevaricatious practices, the Stutz company has suffered a devastating loss of business opportunity and standing. While Reebok, through its theft, has had its revenue go from $919 million in 1986 to $2.7 billion by 1991. In 1991, Reebok's chairman, awarded himself $124 million dollars for his efforts that were a direct result of his and his company's nefarious scheme to rip off Stutz's idea, it's patent, and it's right to benefit therefrom. Reebok became a success story while Stutz languished, suffered through a recession, and has all but been relegated to a shell of the great company it once was.

Stutz approached Reebok in May 1986, in good faith and with confidence that their two companies would be able

to work together. Stutz had a revolutionary shoe design, Reebok had the marketing and manufacturing capabilities. In a series of letters between June 5, 1986 and July 21, 1986, Reebok first told Stutz they were interested in the ideas, and then ultimately told Stutz they were not interested in Stutz's pump shoe and accompanying trade secrets because they, Reebok, had no air bladder project underway and didn't have the time or energy to develop it.

By 1989, Reebok had completed it's air bladder project and released the "Pump" shoe to the market. Due to circumstances including a change of ownership and executives at Stutz, the international travel of its chief executive, the recession in the auto industry, and the general business of Stutz during the early 1990's, Stutz did not realize its victimization by Reebok till sometime in 1991. Upon its realization, Stutz made its best effort to protect its rights and was able to file suit by February of 1993. Stutz wished to have its day in court in front of a jury. We believe that we have that right in this country.

Reebok, desperate to protect its misappropriation of Stutz's ideas, hired a team of lawyers to defend its "cash cow" and put Stutz out of business through legal machinations and offensive tactics. There were attacks on the jurisdiction of the court where we filed, the timeliness of our filing, expiration of the statute of limitations, our standing to file suit, the extinguishing of our rights to trade secret due to patents filed, culminating in their filing a motion to dismiss the case without any discovery having taken place. Reebok wished to deny Stutz its right to a fair trial on the facts before a jury. They were fearful of the facts coming out in a trial and being judged by everyday people.

Stutz survived this barrage of legal tactics and overtly disingenous attempts to distract it and the court from the core issue of the theft of Stutz's ideas, its patents, and its rights. Even with the limited funds available to it, Stutz was somehow able to weather this unnecessary storm of manufactured issues to stop it from proceeding and receiving its consitutional right to a jury trial.

Upon the beginning of discovery, we were to experience the depth of Reebok's lies and evasive antics. Reebok executive, Mr. Douglas, whose signature is on a letter to Stutz , stated that he had never heard of Stutz and appeared to be flushed and lying. Reebok Chairman Paul Fireman contradicted himself in statements during a deposition when we compared it to published interviews on the subject of the development of the air bladder technology. Fireman's contention that they got the technology when they purchased Ellesse was contradicted by former Senior Vice President in charge of "high tech footwear" Mark Goldston's testimony and evidenced by the lack of interest and dissappearance of an Ellesse protoype that didn't even work. Finally, documents on the development of the air bladder and files from another lawsuit related to the air bladder controversy were destroyed by Reebok. These actions were taken to cover their tracks, burn the paper trail, and to eliminate clear evidence of Reebok's theft and misappropriation of Stutz's ideas and patents.

All these issues of credibility and questionable activities on the part of Reebok should have been decided at trial. A jury should be the ones to decide who is credible and who is not. A jury should look at the actions of both parties and decide who has integrity and who has none.

The trial court judge took Reebok's side summarily and the Court of Appeals took the judge's side without regard for the injustice that had taken place. This is not right and it is not fair.

Stutz had a renowned patent expert look at the Reebok patents and shoes. His work uncovered similarities and issues that are supposed to be presented to a jury. Stutz's expert, Ron Reagin, contended under the doctrine of equivalents in which an insubstantial difference may be found when an element of the accused product performs substantially the same function, in substantially the same way, to achieve substantially the same result as a corresponding element or limitation in a patent, that Reebok had infringed two (2) Claims of the Stutz patent. These are

that the patented invention consisted of a shock-absorbing shoe sole which provides adjustably inflated pneumatic support and a graduated reduction of shock-absorbing from the inflated support region. Reebok cunningly and cleverly, to hide their theft and usurpation of Stutz's genuine and desireable scientific product, moved the air bladder from the lower portion of the shoe to the tongue, in order to obscure the most apparent literal infringement of Stutz's patented technology. There is though, a blunt and pronounced violation of our invention. Stutz's expert, Reagin, showed that the glue lines in Reebok's shoe, which retain the air bladder between the sole and the layer of foam, constitute side and inner walls and define a pocket, and that the foam found in Reebok's shoe reveal closed cells and are the same as the pockets required by the patent. This comparison, under the doctrine of equivalents, falls well within legal and scientific parameters that are appropriate for discussion and presentation in court trial for a jury to decide. The judges don't know about, nor are they experts in shoe technology patents. Why they are making decisions on scientific facts, instead of allowing a jury to receive full and complete

evidence, properly presented with both sides explaining their positions, is both disturbing and mysterious.

What more do we have to bring to the court other than an expert witness to get it before a jury?

There appears to be some attempt by Reebok to prejudice the process and obfuscate the basic elements of this patent infringement and trade secret misappropriation case. During their fifteen(15) minute presentation in front of the U.S. Court of Appeals Judges, Reebok's attorney repeatedly and with derision, spoke the name of Stutz's chief executive, Mr. Liu. Mr. Liu this, Mr. Liu that, Mr. Liu said..., Mr. Liu did.... They were constantly reminding and coloring the proceedings with the information that Mr. Liu is Chinese. He is in fact an American citizen. He should have the same rights as any other citizen, no more no less. It appears that Reebok's attorney was playing on Mr. Liu's ethnic background to try to influence the court.

Whether or not Reebok succeeded in clouding the issues so thoroughly that the truth may never come out; Whether or not Stutz was underserved by counsel due to lack of funding or missteps; Whether or not this laborious process of trying to get to the essence of a case is unfair to the smaller company; the most basic of issues is the Seventh Amendment right which states:

IN SUITS AT COMMON LAW, WHERE THE VALUE IN CONTROVERSY SHALL EXCEED TWENTY DOLLARS, THE RIGHT OF TRIAL BY JURY SHALL BE PRESERVED, AND NO FACT TRIED BY A JURY, SHALL BE OTHERWISE REEXAMINED IN ANY COURT OF THE UNITED STATES, THAN ACCORDING TO THE RULES OF THE COMMON LAW.

The trial court and the court of appeal acted as jury and judge in this instance. This case is not a small matter. The very existence of Reebok to this date is founded on their stealing from Stutz. Is the United States a country where you can meet with people, present your ideas, have discussions,

get ripped off, try to seek justice in a court of law, and then be denied by someone other than a jury? We find this impossible to accept nor understand. All we want is to go to trial. In China, the ancestral homeland of our chief executive Mr. Liu, where there has been no respect for intellectual rights, patent owners have little or no recourse to receive justice. Gradually, they will learn from America, and the Supreme Court of the United States has the forum to be an example to the world. This decision, robbing us of the right to go to trial on this blatant infringement, is a step backward rather than an example of due process.

Without having gone to trial, it is clear that Stutz has been deprived of its property by the state. The Fourteenth Amendment clearly states:

ALL PERSONS BORN OR NATURALIZED IN THE UNITED STATES, AND SUBJECT TO THE JURISDICTION THEREOF, ARE CITIZENS OF THE UNITED STATES AND OF THE STATE WHEREIN THEY RESIDE. NO STATE SHALL MAKE OR ENFORCE ANY

LAW WHICH SHALL ABRIDGE THE PRIVILEGES OR IMMUNITIES OF CITIZENS OF THE UNITED STATES; NOR SHALL ANY STATE DEPRIVE ANY PERSON OF LIFE, LIBERTY, OR PROPERTY, WITHOUT DUE PROCESS OF LAW; NOR DENY TO ANY PERSON WITHIN ITS JURISDICTION THE EQUAL PROTECTION OF THE LAWS.

With all our respect to the Supreme Court of the United States, a judge or a group of judges is not a jury.

When the merits of our case, including the credibility of witnesses, patent infringement doctrines, the integrity of the acts of the corporate parties, documentation evidence, and actions of principal individuals, is decided by a judge rather than a jury; the state has taken our property and deprived us of the Seventh and Fourteenth Amendment rights.

We request that the Supreme Court of the United States provide the fairness that is required in this most

important right of being a citizen of the United States and doing business in a country founded on the principles of an individual's rights, entrepreneurship, integrity and freedom.

We should have a jury trial, as promised in the Seventh Amendment, to decide the facts and provide an equitable solution to our honorable pursuit.

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APPENDIX A

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

DECISION - MAY 16, 1997

TEXT OF
UNITED STATES COURT OF APPEALS FOR THE
FEDERAL CIRCUIT
DECISION: MAY 16, 1997

NOTE: Pursuant to Fed. Cir. R. 47.6, this disposition is not citable as precedent. It is a public record. The disposition will appear in tables published periodically.

UNITED STATES COURT OF APPEALS FOR THE
FEDERAL CIRCUIT

96-1062, - 1083

STUTZ MOTOR CAR OF AMERICA, INC.,

Plaintiff-Appellant,

v.

REEBOK INTERNATIONAL LTD.,

Defendant/Cross-Appellant.

DECIDED: May 16, 1997

Before ARCHER, Chief Judge, SKELTON, Senior Circuit Judge, and MICHEL, Circuit Judge.

SKELTON, Senior Circuit Judge.

DECISION

The plaintiff, Stutz Motor Car of America (Stutz), appeals a decision of the United States District Court for the Central District of California, in Case No. CV-93-04433-LGP (EE), entered September 1, 1995, in which the court granted motions for summary judgment of defendant, Reebok International Ltd. (Reebok), holding that Reebok had not infringed Stutz's United States Patent No. 4,610,099 ('099 patent), issued on September 9, 1986, which claimed an invention of an inflatable shock-absorbing shoe, by marketing a line of athletic shoes under the trademark "THE PUMP" that contained air bladder devices that when inflated provided the wearer with cushioned support; denying Stutz's claim of misappropriation of trade secret in the design of the PUMP line of shoes; denying Stutz's state law, trade secret

related claims; and denying Reebok's motion for attorney fees from which Reebok cross appeals. We affirm the trial court in both the appeal and the cross appeal.

DISCUSSION

Stutz is the owner, by assignment from the inventor, Antonio Signori, of '099 patent. The invention claimed in the patent "contemplates a shock-absorbing shoe sole which provides adjustably inflated pneumatic support at the rear half of the sole, and a graduated reduction of shock-absorbing from the inflated support region, to a forefoot-support region of minimum compliant yieldability." The patent consists of eighteen claims, four of which (1, 11, 12, and 18) are independent.

Reebok is a well known manufacturer of athletic shoes and clothing, and markets a line of shoes under the trademark "THE PUMP". Reebok's PUMP shoes feature internal air bladder devices which, when inflated, provide the wearer with cushioning, support, and an individualized fit.

In this action Stutz alleges that Reebok misappropriated Stutz's trade secret in May 1986, in the design of the PUMP line of shoes, and also violated certain state trade secret protections, thus adversely affecting Stutz, and that some of its shoes infringed the '099 patent.

Stutz filed this suit on February 10, 1993, originally as a state action in the Superior Court of Los Angeles County, California. Reebok removed it to federal court on July 27, 1993, on the basis of diversity of citizenship, as the patent infringement claims had not yet been joined because Stutz did not acquire title to the patent until April 7, 1994, over eight months after the removal to the federal court.

Stutz filed two operative complaints as follows: (1) first amended complaint, filed September 13, 1993, in which it states its trade secret claims, and (2) a first supplemental complaint, filed August 22, 1994, in which Stutz states its claims for patent infringement for the first time, over a year after removal to the federal court. Reebok filed motions for

summary judgment on both of Stutz's operative complaints, which were granted by the court for reasons discussed below.

(1) STATE LAW (TRADE SECRET) CLAIMS

Stutz's first amended complaint alleged causes of action for: (1) fraud; (2) misappropriation and conversion of trade secret; (3) unfair competition under California Business & Professions Code 17200 et seq.; (4) tortious interference with prospective economic advantage; and (5) an accounting. The court determined by an order dated December 6, 1993, that each of these claims is "dependent upon the existence of a trade secret" owned by Stutz.

Reebok attacked these trade secret claims, arguing that (1) the issuance of the '099 patent extinguished Stutz's trade secret and (2) that these claims are time barred.

(2) PUBLIC DISCLOSURE OF STUTZ'S AIR BLADDER TRADE SECRET

Under California law, to which this court must look with respect to these state law claims, a trade secret is defined as:

> (I)nformation, including a formula, pattern, compilation, program, device, method, technique, or process, that:
>
> (1) Derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure and use; and
>
> (2) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Cal. Civ. Code 3426.1(d) (West Supp. 1995).

The trial court correctly held that the unprotected disclosure of a trade secret by the holder terminates the existence of the trade secret. See Vacco Indus., Inc. v. Van Den Berg, 6 Cal.-Rptr. 2d 602, 611 (1992; Sinclair v.

Aquarius Elecs., Inc., 116 Cal. Rptr. 654, 659 (1974). Also, the disclosure of a trade secret in a patent places the information comprising the trade secret into the public domain, and it is no longer secret, and the trade secret is extinguished. Rototron Corp. v. Lake Shore Burial Vault Co., 712 F.2d 1214, 220 USPQ 169, 170 (7th Cir. 1983).

Stutz's 30(b) (6) designee, Warren Liu, testified under oath that the trade secret in issue here was the air bladder and only the air bladder. Stutz admitted that its air bladder design and concept (the trade secret) were disclosed in the '099 patent which was issued on September 9, 1986. Since Stutz's trade secret was extinguished on the date the patent was issued, Reebok could only be liable on Stutz's trade secret claims for products incorporating the trade secret that were sold by Reebok before the date the patent was issued. See Timely Prods. Corp. v. Arron, 523 F.2d 288, 304 (2d Cir. 1975). In this case it is uncontradicted that Reebok did not work with air bladders until 1988 and did not manufacture, market, or sell any of its PUMP shoes until 1989, which was

long after Stutz's trade secret had been extinguished by the issuance of the patent.

It is our view that the court properly granted Reebok's motion for summary judgment, because Reebok did not use Stutz's trade secret before it was disclosed and placed in the public domain by the issuance of the patent.

(3) STUTZ'S FIRST, SECOND, FOURTH AND FIFTH STATE LAW CLAIMS ARE BARRED BY STATUES OF LIMITATIONS

Reebok also moved for summary judgment on the state law claims on the ground that they were barred by the California statutes of limitations. See Cal. Civ. Proc. Code 338(d) (West Supp. 1995) (providing that fraud claim must be brought within three years of discovery of facts constituting fraud); Cal. Civ. Code 3426.6 (West Supp. 1995) (providing that misappropriation and conversion of trade secret claim must be brought within three years of when conduct should have been discovered); Cal. Civ. Proc. Code

339(1) (West Supp. 1995) (providing that claim based on obligation not founded on instrument of writing, such as interference with prospective advantage, must be brought with two years). A three year statute of limitations also applies to the accounting claim because it involves the suit on the trade secret. See Estate of Peebles, 103 Cal. Rptr. 560, 562 (1972). As shown by the statutes, these laws provide generally that claims like those alleged are barred by limitations either after two years (on an unwritten obligation), or after three years (on the other claims) from the date the claimant had actual or constructive knowledge of the basis of the claim, or after three years from the date the basis for the claim should have been discovered.

Reebok contends that Stutz had constructive knowledge of Reebok's PUMP shoes, as early as February 1989, when Reebok displayed them at the Sporting Goods Manufacturer's Association trade show in Atlanta, Georgia, which was attended by Stutz's agent, Cohen. Also, the PUMP shoes were described on February 14, 1989, by the New York Times, and on February 13, 1989, by Footwear News.

Reebok says that, even if Stutz did not know about the PUMP in February, it certainly should have discovered the PUMP by November 1989. It is uncontroverted that Reebok launched an advertising blitz for the PUMP in September 1989, with print ads or articles appearing in The Los Angeles Times, The New York Times, The New York Daily News, The Boston Globe, The Miami Herald, The Chicago Sun-Times, The San Francisco Examiner, The Atlanta Constitution, The Houston Chronicle, USA Today, The Wall Street Journal, Newsweek, and Footwear News. Additionally, as of November 1989, hundreds of retail stores throughout the country carried Reebok's PUMP shoes.

Testimony of Stutz employees Warren Liu, Stutz's designee, Richard Curotto, and Nettie Singer show that they discussed Reebok's PUMP shoes in November 1989, and whether legal claims existed against Reebok. This evidence shows that Stutz had actual knowledge of the PUMP shoes and alleged use of the trade secret by Reebok in 1989. Furthermore, the facts show that 52 articles were published

by major media enterprises across the country that discussed the PUMP line of shoes from September through December 1989. Also, 150 stores in New York stocked these shoes, beginning in November 1989.

Based on the foregoing evidence, the trial court found that Stutz had actual and constructive knowledge of the accused Reebok PUMP shoes and the use by Reebok of Stutz's trade secret by February 1989, or at the very least by the end of 1989, and that the applicable statues of limitations began to run at that time, citing United Klans of Am. v. McGovern, 621 F.2d 152, 154 (5th Cir. 1980), and General Bedding Corp. v. Echevarria, 947 F.2d 1395, 1397 (9th Cir. 1991). The trial court concluded that since Stutz filed its complaint on February 10, 1993, which was more than three years after the last day of 1989, its first, second, fourth, and fifth state law claims are barred by limitations.

Stutz contended that it had no actual knowledge before the end of 1989 that Reebok had misappropriated Stutz's trade secret in its design of the PUMP line of shoes.

The court rejected this argument because it was contrary to the sworn testimony of Stutz's employees and agents, Liu, Curotto, and Singer, who had actual knowledge of the PUMP shoes and the alleged use of the trade secret by 1989.

Stutz also argued that the widespread publicity and advertisements about the PUMP line of shoes was insufficient to impute constructive knowledge to it of the basis for its claim. The court rejected this argument and found that because of the advertising, media reporting, and the distribution of the PUMP line of shoes, sufficient widespread publicity occurred for Stutz to be charged with constructive knowledge of the PUMP line of shoes and the use by Reebok of Stutz's trade secrets in 1989. The court also granted summary judgment in favor of Reebok on these claims because they were barred by limitations. We find no error in the action of the court, and its summary judgment is affirmed on this basis as well.

(4) PLAINTIFF'S THIRD CLAIM

Stutz's third state law claim alleges that Reebok is guilty of unfair competition in misappropriating and using Stutz's trade secret. Reebok says the claim is barred by the California Business and Professional Code 17208, which provides that "any action to enforce any cause of action (for unfair competition) shall commence within four years after the cause of action accrued". Thus, the unfair competition claim is different from the claims discussed above with regard to limitations, because the period of limitations begins to run on the claim when the cause of action accrues regardless of whether Stutz had actual or constructive knowledge of its accrual. See Rosack v. Volvo of Am. Corp., 131 Cal. App. 3rd 741, 751 (1982); Dayco Corp. v. Firestone Tire & Rubber Co., 386 F. Supp. 546, 549 (N.D. Ohio 1974), aff'd, 523 F. 2d 389 (6th Cir. 1975).

Stutz alleged that Reebok misappropriated and began the use of Stutz's trade secret in May 1986, when Stutz's agent, William Cohen, contacted Reebok "for purposes of

exploring Reebok's interest in manufacturing and/or marketing athletic footwear utilizing Stutz's air bladder secret". Stutz claims that Reebok obtained Stutz's trade secret in this interview and used it in the design and development of its PUMP shoe line, thereby misappropriating and wrongfully using Stutz's trade secret. Thus, Reebok's misappropriation and use of Stutz's secret occurred in May 1986. The period of limitations on this claim ran in May 1990. Stutz's complaint was filed on February 10, 1993, almost three years after the period of limitations had expired. Therefore, the court also properly granted the summary judgment on Stutz's third claim because it was barred by limitations.

Stutz attempted to escape the bar of limitations on all of the foregoing claims by alleging that the statutes of limitations should be equitably tolled because Reebok fraudulently concealed its use of the trade secrets. However, it failed in this effort because it did not produce any evidence of affirmative acts of concealment by Reebok, which was necessary to prevail on this theory. Volk v. D.A. Davidson & Co., 816 F.2d 1406, 1415 (9th Cir. 1987); Gibson v. United

States, 781 F.2d 1334, 1345 (9th Cir. 1986). The court was not persuaded by Stutz's argument, and it was properly rejected.

(5) PATENT INFRINGEMENT CLAIMS

As stated above, Stutz is the owner by assignment of the invention on April 7, 1994, of the '099 patent, that consists of eighteen claims, four of which are independent (1, 11,12 and 18). It contends that only Claims 12 and 18 have been infringed by shoes made and sold by Reebok. These two claims provide as follows:

CLAIM 12

A shoe having a sole characterized by a first or forefoot region of relatively low compliant yieldability, a second or heel region of relatively great compliant yieldability, and a transitional intermediate region between said first and second regions; said heel region comprising a single pocket defined (1) by flexible

upper and lower panels extending for substantially the rear half of the sole and (2) by peripheral sidewalls including an internal wall at juncture with said intermediate region, a single inflatable bladder retained within said pocket and peripherally conforming generally to adjacent surfaces of said walls and panels, said bladder having an inflation device including a check valve projecting for external access through one of said sidewalls, said inflation device being the only means of pressurizing-gas delivery to and retention within said bladder; said forefoot region comprising stiffly flexible and relatively void-free material; and said intermediate region comprising a distributed cluster of sealed pockets.

CLAIM 18

A shoe having a sole characterized by a first or forefoot region of relatively low compliant yieldability, a second or heel region of relatively great compliant yieldability, and a transitional intermediate region

between said first and second regions; said heel region comprising a single pocket defined (1) by flexible upper and lower panels extending for substantially the rear half of the sole and (2) by peripheral sidewalls including an internal wall at juncture with said intermediate region, a single inflatable bladder retained within said pocket and peripherally conforming generally to adjacent surfaces of said walls and panels, said bladder having an inflation device including a check valve projecting for external access through one of said sidewalls, said inflation device being the only means of pressurizing-gas delivery to and retention within said bladder; said forefoot region comprising stiffly flexible and relatively void-free material; and said intermediate region being characterized by a distributed plurality of sealed pockets providing transitional compliant action between the first or forefoot region and the second or heel region.

These claims show that the patented invention consisted of a shock-absorbing shoe sole which provides

adjustably inflated pneumatic support at the rear half of the sole, and a graduated reduction of shock-absorbing from the inflated support region, to a forefront-support region of minimum compliant yieldability.

Reebok manufactured and sold a line of shoes under the trademark "THE PUMP". These shoes contained internal air bladder devices that when inflated provided the wearer with cushioning, support, and personalized fit.

Claims 12 and 18 provide for an air bladder that is contained in a pocket in the heel of the shoe, which is defined by flexible upper and lower panels and peripheral sidewalls. The bladder is retained within this pocket and is required to conform to these sidewalls and upper and lower panels. This pocket is further described as "a single large upwardly open pocket, ...defined by a thin bottom panel, ...by sidewalls, ...rising therefrom, and by the general central internal wall."

There are numerous differences between the Reebok shoe and the shoe claimed in the '099 patent. For instance, the large, upwardly opening bladder-containing pocket, as recited in the patent, is absent from the Reebok accused product. The Reebok shoe employs a bladder that overlays the conventional sole structure, and the bladder is glued on its underside to the sole, and on its topside to a thin piece of foam. The bladder is not in the heel as required by the patent. there is no upwardly opening pocket in Reebok's shoe. The bladder is not retained by peripheral sidewalls to which the bladder conforms, and there is no internal wall at the juncture of the pocket and the intermediate region of the sole. The Reebok product does have an intermediate region of the sole as required by the patent.

Stutz's expert (Reagin) contended that the glue lines in Reebok's shoe, which retain the air bladder between the sole and the layer of foam, constituted side and inner walls and thus define a pocket. The court rejected this argument and held that the glue lines do not define a pocket as required

the patent, and the glued junction is not a wall as required by the patent.

The patent recites that the sole of the shoe has three definable sections or regions, namely, the forefoot region of stiff low compliant yieldability; the heel region with "mushy" compliant yieldability; and a transitional intermediate region between the forefoot and heel comprising a distributed cluster of sealed pockets. These pockets are defined as "a cluster of upwardly open generally rectangular pockets. . . of progressively increasing vertical extent."

The sole of the Reebok show shoes that it has a single region which is a uniform foam midsole extending along the entire length of the shoe. It does not have a cluster of sealed, generally rectangular pockets, or a cluster of any kind. Stutz's expert Reagin contends that these structures can be found in the accused shoe when examined under a microscope, and that the foam found in the accused shoe reveals closed cells. He says that these tiny bubbles in the foam are the same as the rectangular pockets required by the patent. The court

rejected these arguments and held that the bubbles in the foam did not meet the limitations of the patent.

Also, the patent claims require "an inflation device including a check valve projecting for external access through one of" the pocket sidewalls. We have shown above that the Reebok shoe does not have pocket sidewalls as required by the patent, and even if it did, there is no inflation device for external access projecting through such a sidewall in the Reebok shoe. Reagin has conceded that if the patent is construed to mean that the valve must extend through the sidewall, then the Reebok shoe does not literally infringe the patent.

Finally, it appears from the foregoing facts that there are at least three categories (pocket, clusters and valve) of multiple limitations required by the patent that are absent from the Reebok shoe.

Stutz claimed that Reebok was guilty of literal infringement of the '099 patent, and that it was also guilty of

infringement under the doctrine of equivalents. Reebok filed a motion for summary judgment.

A two-step procedure is required to determine whether patent claims have been infringed. In the first step, the claims in the patent are construed to determine their scope and meaning, which is a question of law for decision by the court. Markman v. Westview Instruments, Inc., 52 F.3d 967, 34 USPQ2d 1321, 1329 (Fed. Cir. 1995) in banc, aff'd ____ U.S. ____; 116 S. Ct. 1384. In the second step, the construed patent claims are compared to the accused device. A claim covers an accused device if the device embodies every limitation of the claim, either literally or by an equivalent. Carroll Touch, Inc. v. Electro Mechanical Sys., Inc., 15 F.3d 1573, 27 USPQ2d 1836, 1839 (Fed. Cir. 1993); Johnston v. IVAC Corp., 885 F.2d 1574, 1577, 12 USPQ2d 1382, 1384 (Fed. Cir. 1989); and Corning Glass Works v. Sumitomo Elec. U.S.A., Inc., 868 F.2d 1251, 1259, 9 USPQ2d 1962, 1967 (Fed. Cir. 1989). Obviously, the absence of a single limitation in a patent from an accused product would require a judgment of no literal infringement. But in

the instant case there are three sets of limitations of the '099 patent (pocket, clusters and valve) that are absent from Reebok's products, and therefore, the court correctly granted Reebok's motion for summary judgment on the ground that there was no literal infringement of the patent. Stutz has not appealed the no literal infringement ruling.

Stutz also claims that Reebok's shoes infringed the '099 patent under the doctrine of equivalents. Even if there is no literal infringement of a patent, infringement may be proved under the doctrine of equivalents if the differences between the patented invention and the accused product are insubstantial, according to an objective standard. Hilton Davis Chem. Co. v. Warner-Jenkinson Co., 62 F.3d at 1512, 1521, 35 USPQ2d 1641, 1648. (Fed. Cir. 1995) (in Banc), cert. granted, reversed on other grounds by _____, U.S. _____ (1997), WL 84999 (U.S.). An insubstantial difference may be found when an element of the accused product performs substantially the same function, in substantially the same way, to achieve substantially the same result as a corresponding element or limitation in a patent.

The court found in the instant case that it is clear from a comparison of the accused product with the claims of the '099 patent that numerous elements of the Reebok shoes do change quite substantially the way in which the corresponding limitations of the claimed invention are performed. In this regard the court found that

> "(T)he use of an air bladder on top of the sole is a substantial change from a bladder within a pocket in the heel of the shoe; the use of a sole of uniform density is a substantial change from a sole with three regions of varying compliant yieldability; the absence of a plurality of rectangular clusters is a substantial change from a shoe containing such a feature; and the absence of a valve protruding through the sidewall is a substantial change from the use of such a valve."

Based on these findings, the court held that infringement under the doctrine of equivalents cannot be found here as a matter of law, and granted Reebok's motion for summary judgment holding that its shoes did not infringe the claims of Stutz's invention under the doctrine. This is the only patent infringement ruling that Stutz has appealed in this case. We affirm.

(6) ATTORNEY FEES

Reebok filed a cross-appeal from the denial of its motion asking the court to declare this case to be exceptional under 35 U.S.C. 285, and to award it attorney fees under the provisions of that statute. Section 285 provides:

> The court in exceptional cases may award reasonable attorney fees to the prevailing party.

We held in Haynes Int'l., Inc. v. Jessop Steel Co., 8 F.3d 1573, 1579 (Fed. Cir. 1993); 28 USPQ2d 1652, 1657,

that in certain instances a frivolous case can be exceptional for purposes of 285. There we said that a frivolous infringement suit is one in which the patentee knew, or should have known, on reasonable investigation, that his case was baseless. Also, the patentee must prove the exceptional nature of the case by clear and convincing evidence. Carroll Touch, Inc. v. Electro Mechanical Sys., Inc., 15 F.3d at 1584, 27 USPQ2d at 1845. (Fed. Cir. 1993). Since Reebok is not the prevailing party, it contends that Stutz's suit is baseless and frivolous. It also says that Stutz failed to make a reasonable investigation as to whether his claims were substantiated before it filed suit, and that it was unreasonable and acted in bad faith in alleging infringement, and that its conduct was reckless during the trial of the case and caused Reebok to spend unnecessary time and money. Reebok contends that it has proved by clear and convincing evidence that under these facts the case is exceptional within the meaning of the statute. It petitions this court to find that the case is exceptional and asks that it be remanded to the district court for a determination of whether an award of attorney fees is proper.

The district court stated that is was inclined to agree with Reebok that the performance of the plaintiff and its counsel was "less than sterling," but that it could not take the further step and hold that the suit was baseless to a clear and convincing standard. The court stated further that Stutz's expert Reagin presented a good faith theory of infringement although it was erroneous, and that the bumbling of counsel does not indicate clearly and convincingly that the action was wholly without merit. Accordingly, the court failed to find the case exceptional and the court therefore denied Reebok's motion under 35 U.S.C. 285.

We cannot say that the finding of nonexceptionality was clearly erroneous and that in refusing fees the district court abused its discretion, and we affirm its decision.

Each party shall bear its own costs for this appeal.

APPENDIX B

UNITED STATES DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA

MEMORANDUM AND ORDER ON MOTIONS FOR SUMMARY JUDGEMENT

ORDERED - AUGUST 29, 1995

TEXT OF

UNITED STATES DISTRICT JUDGE

LOURDES G. BAIRD ORDER FOR JUDGMENT

DATED: AUGUST 29, 1995

FILED IN: U.S. DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA ON SEPTEMBER 1, 1995

ENTERED IN: U.S. DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA ON SEPTEMBER 5, 1995

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

STUTZ MOTOR CAR OF AMERICA, INC.,

Plaintiff,

v.

REEBOK INTERNATIONAL LTD.,

Defendant.

CV 93-4433 LGB (RNBx)

JUDGMENT

The Court hereby ORDERS, ADJUDGES, and DECREES that judgment be and hereby is entered in favor of defendant, REEBOK INTERNATIONAL LTD., and against plaintiff, STUTZ MOTOR CAR OF AMERICA, INC., on all of plaintiff's claims asserted herein and that plaintiff take nothing of defendant by way of those claims.

SO ORDERED.

Dated: 8/29/95

Signed: Lourdes Baird

LOURDES G. BAIRD

United States District Judge

TEXT OF UNITED STATES DISTRICT JUDGE LOURDES G. BAIRD MEMORANDUM AND ORDER ON MOTIONS FOR SUMMARY JUDGMENT AND ON MOTION FOR AWARD OF ATTORNEYS' FEES

DATED: AUGUST 29, 1995

FILED IN: U.S. DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA ON SEPTEMBER 1, 1995

ENTERED IN: U.S. DISTRICT COURT, CENTRAL DISTRICT OF CALIFORNIA ON SEPTEMBER 5, 1995

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

STUTZ MOTOR CAR OF AMERICA, INC.,

Plaintiff,

v.

REEBOK INTERNATIONAL LTD.,

Defendant.

CV 93-4433 LGB (RNBx)

MEMORANDUM AND ORDER ON MOTIONS FOR SUMMARY JUDGMENT AND ON MOTION FOR AWARD OF ATTORNEYS' FEES

I. INTRODUCTION

Defendant has moved this Court for summary judgment on all claims asserted against it by plaintiff. Having reviewed all pertinent papers on file herein, including all supplemental papers filed by the parties, and having considered the argument of counsel, the Court hereby ORDERS, for the reasons set forth below, that defendant's motions for summary judgment are hereby GRANTED. Plaintiff's complaints are therefore ORDERED DISMISSED and judgment is ORDERED ENTERED accordingly.

Defendant has also moved this Court for an award of attorneys' fees under 35 U.S.C. 285. For the reasons set forth below, this motion is hereby DENIED.

II. FACTUAL BACKGROUND

The following facts, and any others so indicated below, are uncontroverted. Plaintiff Stutz Motor Car of America, Inc. is the owner, by assignment from Antonio Signori, of United States Patent No. 4,610,099 ('099 Patent), which was issued on September 9, 1986. The invention disclosed in the patent "contemplates a shock-absorbing shoe sole which provides adjustably inflated pneumatic support at the rear half of the sole, and a graduated reduction of shock-absorbing from the inflated support region, to a forefoot-support region of minimum compliant yieldability." ('099 Patent, Abstract.) The patent consists of eighteen claims, four of which (1, 11, 12, and 18) are independent.

Defendant Reebok International, Ltd., a well known manufacturer of athletic shoes and clothing, markets a line of

shoes under the trademark "The Pump." Broadly speaking, Reebok's Pump shoes feature internal air bladder devices that, when inflated, provide the wearer with cushioning, support, and an individualized fit.

Stutz brings this action alleging that Reebok misappropriated Stutz's trade secret in the design of The Pump line of shoes and, further that certain of these shoes infringe the '099 Patent.

III. PROCEDURAL HISTORY

On July 27, 1993, defendant removed this action from the Los Angeles County Superior Court. Federal jurisdiction was predicated on diversity of citizenship since the patent infringement claims had not yet been joined. The subsequent tortured procedural history(Footnote 1) of this case has

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Footnote 1:

Over the course of the litigation, the Court has sanctioned plaintiff's counsel in excess of $14,000 for, inter alia, a pattern of filing inadequate pleadings.

resulted in two operative complaints: (1) plaintiff's first amended complaint, filed September 13, 1993, wherein plaintiff states its trade secret claims, and (2) a first supplemental complaint, filed August 22, 1994, wherein plaintiff states its claims for patent infringement. (See Stipulation and Order Re: Operative Pleadings filed Sept. 14, 1994.) Reebok has answered both of these complaints.

Reebok moved for summary judgment on both of plaintiff's operative complaints. In response, plaintiff filed a motion for a continuance of the hearing on this motion pursuant to Federal Rule of Civil Procedure 56(f). The Court granted plaintiff's motion, in part because plaintiff had substituted counsel shortly before its opposition papers to

defendant's motions were due to be filed(Footnote 2).

Following the discovery conducted after plaintiff's Rule 56(f) request, oral argument was heard on the summary

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Footnote 2:

Inexplicably, Stutz's former lawyer, Stephen L. Dunne, was substituted back in for plaintiff after the Court acquiesced to the Rule 56(f) request. At the later hearing on Reebok's summary judgment motion, Dunne argued Stutz's opposition without assistance from the "new" lawyer, Adam D. Miller. Further, all supplemental filings following the summary judgment hearing have been made by Dunne. The natural inference to be drawn from the conduct of plaintiff's counsel is disturbing to the Court. If it was clearer that the referenced substitution was done as a ruse to convince the Court to grant the Rule 56(f) request, substantial sanctions would be assessed.

judgment motions (Footnote 3). At this hearing, the Court first learned that plaintiff's motion to compel production of documents from defendant was pending before the magistrate judge. As a grant of summary judgment while a motion to compel discovery responses was pending would have likely violated Rule 56(f), see Garrett v. City of San Francisco, 818 F.2d 1515, 1518 (9th Cir. 1987); Hancock v. Montgomery Ward Long Term Disability Trust, 787 F.2d 1302, 1306 n.1 (9th Cir. 1986), the Court held the summary judgment motions in abeyance pending resolution of the discovery dispute. Thereafter, United States Magistrate Judge Robert Block granted plaintiff's discovery motion and ordered Reebok to produce all deposition transcripts from the so-called Design Continuum/Spalding action. In light of Judge Block's ruling, this Court granted plaintiff leave to file supplemental opposition to defendant's summary judgment motions for the limited purpose of bringing to the Court's

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Footnote 3:

The Court's tentative written order on defendant's motions was in favor of Reebok on all claims asserted by plaintiff.

attention any evidence that raised a triable issue of fact discovered from the Design Continuum/Spalding transcripts.

In response to Judge Block's order, Reebok forwarded to plaintiff's counsel twelve deposition transcripts from the referenced action. After reviewing this material, plaintiff filed supplemental opposition papers. Therein, plaintiff argues two points, which are discussed in turn.

First, plaintiff suggests that it should be allowed to depose Design Continuum employee Harvey Koselka, who is apparently identified in the transcripts produced by Reebok. Plaintiff contends that Koselka might have information on the disclosure of Stutz's purported trade secret to Reebok. Plaintiff further contends that this deposition should be allowed since no past discovery responses "revealed that Koselka was the individual responsible for working on the Stutz air bladder concept." (Pl.'s Supp. Opp'n at 2.) Plaintiff's contention is frivolous. As set forth in Reebok's supplemental response, Koselka was identified in discovery responses as early as July 1994. As this Court has afforded plaintiff every

reasonable opportunity to conduct discovery, and then some, and as plaintiff has failed to advise the Court how this further deposition could possibly avert the unfavorable result discussed below, the request for additional discovery is hereby DENIED.

Second, plaintiff argues that Reebok failed to produce all deposition transcripts for the Design Continuum/Spalding action. Specifically, plaintiff claims that no transcripts from the Design Continuum case were included in the material forwarded by Reebok's counsel. This argument is also frivolous. As is clear from the declarations of counsel involved in the Design Continuum and Spalding Cases, it was agreed by the parties to those actions that depositions from the Spalding case were to be used in both the Spalding and Design Continuum cases. The parties entered into this stipulation since the issues presented in both cases overlapped. Furthermore, these declarations also make it clear that transcripts for all deponents of which anyone has record have in fact been produced. Stutz makes only wild allegations that certain unidentified transcripts might exist

somewhere, although the names of deponents and other similarly important matters are not mentioned.

As plaintiff has identified no relevant facts in its supplemental filing, it perforce has identified no genuine factual dispute that would cause this Court to change its position from that reflected in its tentative order on summary judgment.

IV. ANALYSIS

A. STANDARD FOR SUMMARY JUDGMENT

Summary judgment must be entered against a party who, after adequate time for discovery and upon motion, fails to make a showing sufficient to establish an element essential to that party's case, and on which that party would bear the burden of proof at trial. Fed. R. Civ. P. 56(c); Celotex Corp. v. Catrett, 477 U.S. 317, 322 (1986). A party moving for summary judgment may carry its initial burden by pointing out to the district court that there is an absence of a genuine issue of material fact. Id. at 323. However, when

the moving party bears the burden of persuasion on the issue at trial--for example, a defendant moving for summary judgment on the basis of an affirmative defense--"that party must support its motion with credible evidence...that would entitle it to a directed verdict if not controverted at trial." Id. at 331 (Brennan, J., dissenting); Houghton v. South, 965 F. 2d 1532, 1536-37 (9th Cir. 1992).

To avoid a summary judgment, the non-movant must set forth specific facts showing that there remains a genuine issue of material fact for trial. Id. at 324. A factual dispute is genuine if a reasonable jury could return a verdict for the non-moving party. Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248 (1986). The evidence of the non-movant is to be believed, and all justifiable inferences are to be drawn in the non-movant's favor. Id. at 255. If the non-moving party's evidence is merely colorable or is not significantly probative, then summary judgment may be granted. Id. at 249-50.

Although older cases may suggest or even state the contrary, recent decisions of the federal circuit have

"repeatedly emphasized that summary judgment is as appropriate in a patent case as in any other." Avia Group Int'l, Inc. v. L.A. Gear Cal., 853 F.2d 1557, 1561 (Fed. Cir. 1988) (internal quotation marks omitted); Markman v. Westview Instruments, Inc., 52 F.3d 967,979 (Fed. Cir. 1995) petition for cert. filed, 64 U.S.L.W. 3086 (U.S. July 3, 1995) (No.95-26). And, as with any other case, summary judgment is appropriate in patent litigation when there is no genuine dispute as to any material fact. Avia Group, 853 F.2d at 1561; Winner Int'l Corp. v. Wolo Mfg. Corp., 905 F.2d 375,376 (Fed. Cir. 1990). "Thus, the motion of an accused infringer for judgment on the ground of non-infringement of a patent may be granted where the patentee's proof is deficient in meeting an essential part of the legal standard for infringement." Johnston v. IVAC Corp., 885 F.2d 1574, 1577 (Fed. Cir. 1989).

B. INITIAL MATTERS

Two matters should be addressed before delving into the merits of this case. Plaintiff suggests that defendant's

motion should be denied for violation of Local Rule 3.10, which requires that memoranda of points and authorities shall not exceed thirty-five pages in length unless permitted by order of the district judge. Plaintiff argues that defendant has violated this rule by filing two briefs (one addressing the trade secret claims and the other addressing the patent claims), which combined exceed the thirty-five page limitation.

As plaintiff's past stumblings have resulted in two operative complaints, as this is a relatively complex patent dispute, and as defendant's papers are not cumulative or prolix, the Court FINDS that Local Rule 3.10 may not be used as a basis for denying the instant motions.

Plaintiff also suggests that the motions should be denied since Reebok has failed to fully respond to discovery. This argument is specious. This action has been pending in the district court since July of 1993 and, from the record before the Court, it appears that plaintiff propounded little or no discovery until defendant filed the instant motions for

summary judgment in November 1994. Additionally, the Court, in granting relief under Rule 56 (f) bent over backward to accommodate plaintiff's alleged need for more time for discovery(Footnote 4).

Thus, the Court FINDS that plaintiff's request to deny the instant motions based on inadequate discovery responses, to the extent that such an argument is made, must be summarily rejected.

Footnote 4:

Note also that the Court on at least three occasions (telephone conference, ex parte motion, and inter partes motion) denied defendant's requests to limit the scope of discovery available to plaintiff. Stutz has thus been afforded ample opportunity to both propound and secure responses to discovery.

C. STATE LAW (TRADE SECRET) CLAIMS

Plaintiff's first amended complaint alleges causes of action for: (1) fraud; (2) misappropriation and conversion of trade secret; (3) unfair competition under California Business & Professions Code 17200 et seq.; (4) tortious interference with prospective economic advantage; and (5) an accounting. The Court has previously determined that each of these claims is "dependent upon existence of a 'trade secret' owned by plaintiff." (Order of Dec. 6, 1988 at 4 & n.1)

Defendant attacks these trade secret claims, arguing that (1) the issuance of the '099 Patent extinguished plaintiff's trade secret and (2) that these claims are time barred.

1. PUBLIC DISCLOSURE OF TRADE SECRET

Under California law, to which this Court must look with respect to these state law claims, a trade secret is defined as

> information, including a formula, pattern, compilation, program, device, method, technique, or process, that:
>
> (1) Derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure and use; and
>
> (2) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

Cal. Civ. Code 3426.1(d) (West Supp. 1995). In light of this requirement of secrecy, it is clear that an unprotected disclosure of the holder's secret terminates the existence of the trade secret. E.g., Vacco Indus., Inc. v. Van Den Berg, 5 Cal. App. 4th 34, 50 (1992), review denied; Sinclair v. Aquarius Elecs., Inc., 42 Cal. App. 3d 216, 223-34 (1974).

It is well established that disclosure of a trade secret in a patent places the information comprising the secret into

the public domain.(Footnote 5) Rototron Corp. v. Lake Shore Burial Vault Co., 712 F.2d 1214, 1215 (7th Cir. 1983). Once the information is in the public domain and the element of secrecy is gone, the trade secret is extinguished and "the patentee's only protection is that afforded under the patent law." Id. This black-letter rule is rooted in principles of the supremacy of federal law. Id. ("These provisions of federal patent law prevail over any inconsistent State remedies.").

Here, plaintiff contends that its agent, William Cohen, contacted Reebok in May 1986 "for the purpose of exploring Reebok's interest in manufacturing and/or marketing athletic footwear utilizing plaintiff's air bladder trade secret." (First Am. Compl. 12.) The gravamen of plaintiff's state law claims is thus that Reebok used plaintiff's

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Footnote 5:

The United States patent laws require that a patent specification contain "a written description of the invention" to be patented. 35 U.S.C. 112

trade secret in the development of The Pump shoe line.

Plaintiff Stutz's Rule 30(b)(6) designee, Warren Liu, has stated in deposition testimony that the trade secret in issue here is the air bladder, and only the air bladder.(Footnote 6) (Bigman Decl., Ex. 8 at 105.) Plaintiff has, however, admitted that its "air bladder concept and design" (the trade secret) were disclosed in the '099 Patent, which issued on September 9, 1986. (First Am. Compl. 10.) Additionally, this Court has previously determined that "the information disclosed to Reebok in May of 1986 was contained in the ('099 Patent)." (Order of Dec. 6, 1993.) Thus, as plaintiff's trade secret was extinguished in September 1986 with the issuance of the '099 Patent, Reebok

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Footnote 6:

When asked in deposition, "What is the trade secret that Stutz contends that Reebok misappropriated?" Liu responded "Air bladder." (Bigman Decl., Ex. 8 at 105.) Liu further responded "Yes," without qualification, when asked "Is that all there is to the trade secret?" (Id.)

could only be liable on plaintiff's trade secret claims for products incorporating the trade secret that were sold by defendant prior to the issuance date of the patent. See Timely Prods. Corp. v. Arron, 523 F.2d 288, 304 (2d Cir. 1975) (holding that plaintiff could recover only damages sustained "as a result of the sale of (the accused product) by (defendant) prior to the (issuance) date"); Trenton Indus. v. A.E. Peterson Mfg. Co., 165 F. Supp. 523, 533 (D. Cal. 1958) (holding that plaintiff could recover royalties only for products manufactured by defendant after disclosure of secret but before issuance of patent).

Here, it is undisputed that Reebok did not begin working with air bladders until 1988 and did not manufacture, market, or sell any of its Pump shoes until 1989. (Litchfield Decl. 9-11.) It would thus appear, since Reebok did not use plaintiff's trade secret, if at all, until well after issuance of the patent, that plaintiff's remedies must be confined to those afforded under the patent laws.

Plaintiff offers little in the way of opposition on this ground, arguing only that "other" secrets (besides the air bladder) were disclosed to Reebok. In support of this assertion, Stutz states only that Cohen, former agent of Stutz, showed Reebok a working model of a pump and that Jim O'Donnell, former president of Stutz, gave Reebok an idea for putting a pump "on board" the shoe. (Opp'n at 4-5 (citing Cohen Dep. at 14, 18; O'Donnell Dep. at 119-121).) Significantly, plaintiff has neither alleged, nor offered any evidence to even suggest, that Reebok used these "other" secrets in the design or manufacture of its Pump line of shoes.

Additionally, and perhaps more importantly, the Court finds that plaintiff must be judicially estopped from arguing now, in a desperate attempt to avert summary judgment, that these "different" trade secrets are really the subject of its claims. See Morris v. California, 966 F.2d 448, 452 (9th Cir.) ("As a general principle, the doctrine of judicial estoppel bars a party from taking inconsistent positions in the same litigation.") (citing Milgard Tempering,

Inc. v. Seclas Corp. of Am., 902 F.2d 703,716 (9th Cir. 1990); Russell v. Rolfs, 893 F.2d 1033, 1037 (9th Cir. 1990); In re Corey, 892 F.2d 829,836 (9th Cir. 1989), cert. denied, 498 U.S. 815 (1990); Stevens Tech. Servs. v. SS Brooklyn, 885 F.2d 584, 588 (9th Cir. 1989)), cert. denied, 113 S. Ct. 96 (1992). The Court has relied on plaintiff's previous assertions, and in fact has found in a written order that only the one purported secret has been raised in this lawsuit. See Morris, 966 F.2d at 452 (stating that judicial estoppel may apply where court adopts statement made earlier in litigation). Further, as this is the only secret identified by Reebok's 30(b)(6) designee, as it is the only secret espoused since the filing of the amended complaint in September 1993, (see First Am. Compl. 10, 12), and since Reebok has confined its defense in this action to that secret, it would be inequitable in the extreme to allow plaintiff to play fast and loose with its legal theories and, thereby, threaten or actually derogate the integrity of the judicial process.

Additionally, and based on the foregoing, the Court finds that these assertions, which contradict the prior sworn

testimony of Liu are sham, as they have been made solely in hopes of creating and issue of fact. See Kennedy v. Allied Mutual Ins. Co., 952 F.2d 262, 266-67 (9th Cir. 1991) (stating that, upon finding subsequent contradictory affidavit is "sham," district court may reject affidavit on summary judgment); Radobenko v. Automated Equip. Corp., 520 F.2d 540, 544 (9th Cir. 1975) (holding that subsequent affidavit contradicting prior sworn testimony does not create genuine issue of fact); McCray v. Casual Corner, Inc., 812 F. Supp. 1046, 1048 (C.D. Cal. 1992) (same).

Based on the evidence submitted by Reebok on this issue, no reasonable jury could return a verdict at trial in favor of plaintiff. Thus, for the foregoing reasons, summary judgment is hereby GRANTED in favor of defendant Reebok on the ground that Reebok did not make use of plaintiff's trade secret, if at all, before the secret was placed in the public domain upon issuance of the '099 Patent.

2. STATUTE OF LIMITATIONS

Separately and alternatively, Reebok moves for summary judgment on the state law complaint on the theory that the claims therein are time barred.

a. FIRST, SECOND, FOURTH, AND FIFTH CLAIMS

The longest period of limitations provided for under plaintiff's first, second, fourth, and fifth(Footnote 7) claims is three years. See Cal. Civ. Proc. Code 338(d) (West Supp. 1995) (providing that fraud claim must be brought within three years of discovery of facts constituting fraud); Cal. Civ. Code 3426.6 (West Supp. 1995) (providing

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Footnote 7:

Plaintiff's fifth cause of action, for an accounting, is an action in equity, and therefore depends on the "nature of the right being sued upon" for its period of limitation. Estate of Peebles, 27 Cal. App. 3d 163, 166 (1972). As the nature of the right being sued on here is the trade secret, (see Order of Dec. 6, 1988 at 4 & n.1), the three year period of limitations applicable thereto would also apply to the accounting claim.

that misappropriation and conversion of trade secret claim must be brought within three years of when conduct should have been discovered); Cal. Civ. Proc. Code 339(1) (West Supp. 1995) (providing that claim based on obligation not founded on instrument of writing, such as interference with prospective advantage, must be brought within two years).

Reebok contends that the clock on plaintiff's claims began to tick in February 1989 when Reebok displayed its Pump shoes at the Sporting Goods Manufacturers' Association trade show in Atlanta, which is asserted to be the largest trade show in the footwear industry. Media articles describing the introduction of the Pump appeared in the New York Times on February 14, 1989 and in Footwear News on February 13, 1989. (Bigman Decl., Exs. 5-6.) Additionally, plaintiff's agent Cohen admits to being present at the Atlanta show and testified in deposition that he would have seen the Pump if it was displayed. (Id., Ex. 11 at 176.)

Reebok alternatively contends that, even if Stutz did not know about the Pump in February, it certainly should

have discovered the Pump by November 1989. It is uncontroverted that Reebok launched an advertising blitz for the Pump in September 1989, with print ads or articles appearing in The Los Angeles Times, The New York Times, The New York Daily News, The Boston Globe, The Miami Herald, The Chicago Sun-Times, The San Francisco Examiner, The Atlanta Constitution, The Houston Chronicle, USA Today, The Wall Street Journal, Newsweek, and Footwear News. (Rice Decl., Exs. 1-20.) Additionally, as of November 1989, hundreds of retail stores throughout the country carried Reebok's Pump shoes. (Trembath Decl. 4-6.)

With respect to actual knowledge, the testimony of Stutz's own employees indicates that plaintiff knew of Reebok's product by November 1989. To wit, Warren Liu, plaintiff's designee, has testified by declaration that Stutz's New York offices closed in 1989. (Liu Decl. 7.) Stutz employees Richard Curotto and Nettie Singer both testified in deposition that they discussed with Liu, prior to the offices being closed, Reebok's Pump shoes and possible legal claims against Reebok. (Bigman Decl., Ex. 1 at 44-47; Ex. 2 at 62-

68.) Additionally, Singer confirms that she read of the Pump, probably in The Wall Street Journal, while still employed in the New York offices. (Id., Ex. 2 at 62-68.)

In opposition, plaintiff contends that it did not have actual knowledge of the Pump at the times asserted by defendant and that defendant's showing is insufficient to establish that the advertisement and sale of the shoes imputed constructive knowledge to Stutz. Plaintiff apparently bases its actual knowledge argument on the declaration of Liu, in which he states that he did not know of "prior dealings on the patent" until April 1991. (Liu Decl. 10.) First, having no "prior dealings on the patent" is not the same as lacking knowledge of Reebok's design; thus, Liu's statement on its face does not contradict Reebok's assertion of actual knowledge. Further, this argument obviously overlooks the sworn testimony of the Stutz employees who were on notice of the alleged misappropriation before the end of 1989. Liu's statements are also inexplicably contrary to the statements of Curotto and Singer wherein they specifically recalled discussions with Liu prior to the close of the New York

offices in 1989. The Court FINDS, therefore, that Stutz's employees and agents had actual knowledge of the Pump shoes and alleged use of the trade secret in 1989.

Stutz also argues that Reebok's advertising efforts were insufficient to establish Stutz's constructive knowledge (Footnote 8), assuming for the sake of argument that Stutz did lack actual knowledge. Reebok relies primarily on United Klans of America v. McGovern, 621 F.2d 152, 154 (5th Cir. 1980), wherein the court held that constructive knowledge of the facts giving rise to a claim were imputed to plaintiff's in light of "widespread publicity" of those facts. Although plaintiff correctly notes that the United Klans plaintiffs could

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Footnote 8:

Plaintiff's contention that California's limitations period for fraud actions begins to run only with "actual notice" is clearly incorrect. See General Bedding Corp. v. Echevarria, 947 F.2d 1395, 1397 (9th Cir. 1991) (stating that "statute of limitations begins to run, when (plaintiff) has actual or constructive notice of its claims").

also be charged with actual knowledge, that fact does not vitiate the court's clear determination that widespread publicity alone is sufficient for constructive knowledge. Based on the advertising, media reporting, and distribution of the Pump line of shoes described above, the Court does FIND that sufficient widespread publicity existed for plaintiff to be charged with constructive knowledge of the Reebok products and potential use of Stutz's trade secrets. (See Rice Decl. passim;(Footnote 9)

Footnote 9:

Elizabeth Rice, the director of consumer promotions for Reebok, identifies 52 articles from major media sources across the country discussing the Pump line of shoes. (Rice Decl. 1-22, 25-26.) These articles all appeared September through December 1989. (Id.) Rice also identifies two national advertisements for the Pump shoes, appearing in Sports Illustrated and USA Today, which were published between November and December 1989. (Id.)

Trembath Decl. 5.(Footnote 10)

As it is clear from the foregoing that Stutz had actual and constructive knowledge of the accused Reebok product and the use of plaintiff's purported secret by February 1989, or at the very latest by the end of 1989, the Court FINDS that the applicable statutes of limitations began to run at that time. And, since plaintiff's complaint was filed on February 10, 1993, in excess of three years after the last day of 1989, plaintiff's first, second, fourth, and fifth claims are time barred, thus rendering summary judgment for defendant appropriate. See Von Brimer v. Whirlpool Corp., 536 F.2d 838, 848 (9th Cir. 1976) (whether plaintiff knew or reasonably should have known of its claim can be decided as matter of law where facts are undisputed).

Footnote 10:

Justin Trembath, a certified information systems auditor for Reebok, indicates that 150 stores in New York were stocked with Pump shoes, beginning in November 1989. (Trembath Decl. 5)

In a last-ditch effort to avert this unfavorable result, plaintiff argues that the statue of limitations should be equitably tolled since Reebok fraudulently concealed its use of the purported trade secrets. This is the first appearance in the litigation of this theory.

> In some cases, the conduct of a defendant will toll the statute of limitations under the doctrine of fraudulent concealment. The doctrine is properly invoked only if a plaintiff establishes "affirmative conduct on the part of the defendant which would, under the circumstances of the case, lead a reasonable person to believe that he did not have a claim for relief."

Volk v. D.A. Davidson & Co., 816 F.2d 1406, 1415 (9th Cir. 1987)(quoting Gibson v. United States, 781 F.2d 1334, 1345 (9th Cir. 1986), cert. denied, 479 U.S. 1054 (1987)). Additionally, plaintiff "must demonstrate that (it) had neither

actual nor constructive notice of the facts constituting (its) claims for relief." Id.

Here, plaintiff merely states that it has "affirmatively alleged that defendant fraudulently and intentionally entered into efforts to conceal (its) activities from plaintiff which would have advised plaintiff and put plaintiff on notice of defendant's conversion of plaintiff's trade secrets." (Opp'n at 16.) In an oversight that is fatal to its argument, plaintiff has cited no evidence whatsoever of affirmative conduct on the part of defendant. As "(b)ald allegations of conspiracy and concealment are not sufficient to make out a case of fraudulent concealment" so as to toll the statute of limitations, King & King Enters. v. Chaplin Petroleum Co., 446 F. Supp. 906, 911 (E.D. Okla. 1978); see also Volk, 816 F.2d at 1415-16 (stating that plaintiff must plead facts with particularity), plaintiff's argument is ultimately futile. Additionally, based on the discussion above, plaintiff would be unable to demonstrate that it had neither actual nor constructive notice of the facts giving rise to its claim, which is a requisite element of the asserted theory. Lastly, plaintiff

has not even attempted to show, nor does it appear that plaintiff could show, that it exercised due diligence to discover the facts supporting its claims, as this tolling doctrine clearly requires.

Based of the evidence submitted by Reebok on this issue, no reasonable jury could return a verdict at trial in favor of plaintiff. Thus, for the foregoing reasons, defendant's motion for summary judgment on plaintiff's first, second, fourth, and fifth causes of action is hereby GRANTED on the separate and alternative ground of the bar imposed by the statutes of limitation.(Footnote 11)

Footnote 11:

Defendant also contends that the statutes in issue were not tolled upon the filing of the complaint since, at that time, plaintiff was not authorized to do business in California. Based on the analysis herein, the Court need not reach this issue.

b. THIRD CLAIM

The statue of limitations for plaintiff's unfair competition claim is set forth in California Business & Professions Code section 17208. This section provides that "(a)ny action to enforce any cause of action (for unfair competition) shall be commenced with four years after the cause of action accrued." Cal. Bus. & Prof. Code 17208 (West 1987).

Significantly, the "discovery rule" applicable to the claims discussed above is inapplicable on this count; thus, the statute begins to run when cause of action accrues, irrespective of whether plaintiff knew of its accrual, unless plaintiff can successfully invoke the equitable tolling doctrine. See Rosack v. Volvo of Am. Corp., 131 Cal. App. 3d 741, 751 (1982) (stating that cases interpreting federal Sherman and Clayton Acts are applicable to California's Cartwright Act), cert. denied, 460 U.S. 1012 (1983); Pennsylvania v. Lake Asphalt & Petroleum Co., 610 F. Supp. 885, 890 (M.D. Pa. 1985) (holding that statute of limitations for antitrust claim begins to run at time of accrual,

notwithstanding plaintiff's ignorance of facts giving rise to claim); Dayco Corp. v. Firestone Tire & Rubber Co., 386 F. Supp. 546, 549 (N.D. Ohio 1974) (finding that plaintiff's ignorance of claim was insufficient to overcome limitations defense), aff'd, 523 F.2d 289 (6th Cir. 1975).

Here, plaintiff has consistently maintained that defendant Reebok misappropriated and began application and use of plaintiff's secret on or about May 1986. (First Am. Compl. 20, 38.) Since this act clearly would have injured plaintiff's business, plaintiff's cause of action would have accrued at that time. Additionally, based on plaintiff's allegations Reebok's alleged wrong (misappropriation of the air bladder) was a single, irrevocable wrong as opposed to a series of multiple wrongs. Thus, the period of limitations on this claim would have run in May 1990. As plaintiff's complaint was filed on February 10, 1993, it appears that the limitations period expired almost three years earlier. As discussed above, plaintiff's invocation of equitable tolling based on fraudulent concealment offers no comfort.

Based on the evidence submitted by Reebok on this issue, no reasonable jury could return a verdict at trial in favor of plaintiff. Thus, for the foregoing reasons, summary judgment must be GRANTED in favor of defendant on plaintiff's third claim for relief on the separate and alternative ground afforded by the statute of limitations.

D. PATENT INFRINGEMENT CLAIMS

Defendant also moves for summary judgment on plaintiff's claim for patent infringement. (Footnote 12) As a preview, it appears to the Court that plaintiff's infringement claim is capably summarized by one of its own consultants, who in comparing Reebok's shoes to the patent stated that "(a)lthough it is true that both use an inflatable bladder (so does an auto tire) that is where the functional similarity ends."

Footnote 12:

For present purposes only, Reebok assumes that the disclosed invention was patentable.

The law is well established that determining whether patent claims have been infringed requires a two-step analysis. Markman, 52 F.3d at 976; Carroll Touch, Inc. v. Electro Mechanical Sys., Inc., 15 F.3d 1573, 1576 (Fed. Cir. 1993). In the first step, the patent claims are construed to determine their scope and meaning; this step is a question of law for the court. Markman, 976 F.3d at 976, 979; Carroll Touch, 15 F.3d at 1576-77. In the second step, the patent claims , as properly construed, are compared to the accused device or process. Markman, 52 F.3d at 976; Carroll Touch, 15 F. 3d at 1576. "A claim covers an accused device if the device embodies every limitation of the claim, either literally or by an equivalent." Id. (emphasis added); see also Johnston, 885 F.2d at 1577 & n.3; Corning Glass Works v. Sumitomo Elec. U.S.A., Inc. 868 F.2d 1251, 1259 (Fed. Cir. 1989) (same). The burden is on the patent owner to prove infringement by a preponderance of the evidence. Carroll Touch, 15 F.3d at 1578.

Until shortly before the hearing on defendant's motions, plaintiff had failed to even identify which claims of

the '099 Patent were allegedly infringed by defendant's products and which of the shoes within defendant's Pump line were believed to be infringing. It is now clear, however, that plaintiff contends that only two of the '099 Patent's independent claims(12 (Footnote 13)

Footnote 13:

In Claim 12, the inventor claimed:

A shoe having a sole characterized by a first or forefoot region of relatively low compliant yieldability, a second or heel region of relatively great compliant yieldability, and a transitional intermediate region between said first and second regions; said heel region comprising a single pocket defined (1) by flexible upper and lower panels extending for substantially the rear half of the sole and (2) by peripheral sidewalls including an internal wall at juncture with said intermediate region, a single inflatable bladder retained within said pocket and peripherally conforming generally to adjacent surfaces of said walls and panels, said bladder having an inflation device including a check valve projecting for external access through one of said sidewalls, said inflation device being the only means of pressurizing-gas delivery to and retention within said bladder; said

and 18 (Footnote 14)

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forefoot region comprising stiffly flexible and relatively void-free material; and said intermediate region comprising a distributed cluster of sealed pockets. ('099 Patent, col. 8, lines 32-50.)

Footnote 14:

Claim 18 claims:

A shoe having a sole characterized by a first or forefoot region of relatively low compliant yieldability, a second or heel region of relatively great compliant yieldability, and a transitional intermediate region between said first and second regions; said heel region comprising a single pocket defined (1) by flexible upper and lower panels extending for substantially the rear half of the sole and (2) by peripheral sidewalls including an internal wall at juncture with said intermediate region, a single inflatable bladder retained within said pocket and peripherally conforming generally to adjacent surfaces of said walls and panels, said bladder having an inflation device including a check valve projecting for external access through one of said sidewalls, said inflation device being the only means of pressurizing-gas delivery to and retention within said bladder; said forefoot region comprising stiffly flexible and relatively void-free material;

are infringed by two of defendant's products (the "Dual Chamber(Footnote 15) shoe and the "Adjustable Footbed Chamber"(Footnote 16) shoe). (See Reagin Decl. 3.)

1. LITERAL INFRINGEMENT

As defendant has identified several limitations in Claims 12 and 18 that are absent in the accused products,

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and said intermediate region being characterized by a distributed plurality of sealed pockets providing transitional compliant action between the first or forefoot region and the second or heel region.

('099 Patent, col. 9, lines 16-19 to col. 10, lines 1-18.)

Footnote 15:

See Exhibit 3, at page 48 of defendant's motion, for a reproduction of this model. Reebok has also lodged "Exemplar A," which is a Pump shoe having the same structure as the Dual Chamber shoe examined by plaintiff's expert Reagin.

Footnote 16:

See Exhibit 3, at page 47 of defendant's motion, for a reproduction of this model. The two models in issue are sufficiently similar so that the discussion herein is equally applicable to each.

summary judgment is mandated.(Footnote 17)

It is clear that both Claims 12 and 18 require a single air bladder contained in a single pocket in the heel region of the shoe, defined by flexible upper and lower panels and peripheral sidewalls. ('099 Patent, col. 8, lines 36-42; col. 10, lines 1-7.) The bladder is retained within this pocket and is required to conform to these sidewalls and upper and lower panels. (Id., col. 8, lines 41-43; col. 10, lines 6-8.) This pocket is further described as "a single large upwardly open pocket(,) ...defined by a thin bottom panel, ...by sidewalls ...rising therefrom, and by the general central internal wall." (Id., col. 3, lines 27-30.)

Footnote 17:

As any dependent claim is, by definition, narrower than the independent claim upon which it depends, see 35 U.S.C. 112, a dependent claim cannot be infringed if the claim upon which it depends is not infringed, see London v. Carson Pirie Scott & Co., 946 F.2d 1534, 1539 (Fed. Cir. 1991). Thus, if Claims 12 and 18 of the '099 Patent are found not to be infringed, no claims dependent thereon can be infringed.

The most cursory examination of the accused product reveals that this large, upwardly opening bladder-containing pocket, as further limited by the language of the patent, is absent. The Reebok product employs a bladder that overlays the otherwise conventional sole structure. This bladder appears glued, on its underside, to the sole and, on its topside, to a thin piece of foam. The bladder is thus not even "in" the heel as required by the '099 Patent. (See id., col. 3, lines 27-29; figs. 8-9.) Additionally, there is no "upwardly opening" pocket in the shoe, the bladder is not retained by any "peripheral sidewalls" to which the bladder conforms, and there is no "internal wall" at the juncture of the pocket and the intermediate region of the sole. (In fact, the accused shoe does not appear to disclose anything that would even define, as in the patent, an "intermediate region" of the sole.)

Reagin, plaintiff's expert, argues that the "glue lines" in the Reebok shoe, which retain the air bladder between sole and the thin layer of foam, constitute side and inner walls and thus define a pocket. (Reagin Decl. 27-28.) These glue lines, while retaining Reebok's air bladder, simply do not

define a pocket in the manner dictated by the clear language of the '099 Patent. Additionally, the "glued junction," which is really just the terminus of Reebok's bladder is, again, simply not a "wall" as required by the clear language of the patent.

Thus, as the limitations defining the bladder-receiving pocket as set forth in the '099 Patent are absent from Reebok's device, summary judgment is hereby GRANTED in favor of Reebok on the issue of non-infringement of the patent.

It is also clear from the language of the patent that the sole of the shoe must be characterized by three definable regions: the first or forefoot region of relatively low compliant yieldability (that is, stiff), the second or heel region of relatively great compliant yieldability (that is, mushy), and the third a transitional intermediate region between the forefoot and heel comprising a distributed cluster of sealed pockets. ('099 Patent, col. 8, lines 32-50; col. 9, lines 16-19 to col. 10 lines 1-18; fig. 2.) These cluster

pockets are further defined as "a cluster of upwardly open generally rectangular pockets ...of progressively increasing vertical extent." (Id., col. 3, lines 24-27.)

Again, the most cursory examination of the Reebok shoe's sole reveals that it is comprised of a single region; that is, a uniform foam midsole extends the entire length of the shoe. Moreover, a cluster of sealed, upwardly open, generally rectangular pockets--or a cluster of any pockets--is conspicuously absent.

Reagin, plaintiff's expert, again unsuccessfully attempts to find these structures in the accused shoe. He states that, when examined under a microscope, the foam used in Reebok's shoe reveals closed cells. (Reagin Decl. 24.) He then somehow equates these tiny foam cells (bubbles in the foam, really) with the upwardly open, rectangular pockets of progressively increasing vertical extent as taught by the patent. (Id. 24, 32.) It suffices to say that these bubbles are simply not the exact limitations disclosed by the patent. Reagin also argues that the three areas of varying compliant

yieldability can be found in the accused shoe if one considers the hard rubber outsole of the Reebok shoe. (Id.) This analysis is preposterous in light of the description and limitations in the patent.

Thus as the limitations defining the three regions of varying compliant yieldability as well as the cluster/plurality of rectangular pockets as set forth in the '099 Patent are absent from Reebok's device, summary judgment must be GRANTED in favor of Reebok on the issue of non-infringement of the patent on these separate and alternative grounds.

Finally, the claims cited by plaintiff require "an inflation device including a check valve projecting for external access through one of" the pocket sidewalls. ('099 Patent, col. 8, lines 44-45; col. 10, 9-10.) Even if, for the sake of argument, a pocket with sidewalls as described in the patent could be identified in the accused shoe, and examination of the shoe reveals that there is no inflation

device for external access projecting through one of these sidewalls.

Reagin again fails to identify this limitation in the Reebok shoe. After arguing, contrary to the plain language of the patent, that the '099 Patent does not require the valve to extend through the sidewall, Reagin concedes that if the language of the patent is so construed, then the Reebok shoe does not literally infringe. (See Reagin Decl. 31.)

Thus, as the limitations defining an inflation valve that projects through an internal sidewall as set forth in the '099 Patent are absent from Reebok's device, summary judgment must be GRANTED in favor of Reebok on the issue of non-infringement of the patent on these separate and alternative grounds.

As the absence of a single material limitation in the '099 Patent from the accused products would compel entry of summary judgment for defendant, and as there appear to be at least three categories (pocket, clusters, and valve) of

multiple limitations required by the '099 Patent that are absent from the Reebok products, summary judgment in favor of the accused infringer on plaintiff's claim of literal infringement is clearly the appropriate remedy.

2. DOCTRINE OF EQUIVALENTS

Notwithstanding the absence of literal infringement, infringement may be found under the doctrine of equivalents if the differences between the claimed and accused products are insubstantial, according to an objective standard. Hilton Davis Chem. Co. v. Warner-Jenkinson Co., No. 93-1088, 1995 WL 968346, at *4 (Fed. Cir. Aug. 8, 1995) (en banc). An insubstantial difference may be present when the accused device performs substantially the same function, in substantially the same way. to achieve substantially the same result. Id. at *4-*6 (discussing Graver Tank & Mfg. Co. v. Linde Air Prods. Co., 339 U.S. 605, 608 (1950)). Evidence of copying or of "designing around" the claimed subject matter is also relevant to infringement under this doctrine. Id. at *6-*7.

The doctrine is equitable in nature and involves balancing the competing policies of, on one hand, requiring patent claims to be particular and distinct so that competitors can avoid infringement, and on the other hand, protecting patentees from competitors who appropriate the essence of an invention while barely avoiding the literal language of the claim. Id. (citing Laitram Corp. v. Cambridge Wire Cloth Co., 863 F.2d 855, 856-57 (Fed. Cir. 1988), cert. denied, 490 U.S. 1068 (1989)).

It must be stressed that "(a)pplication of the doctrine of equivalents is the exception, however, not the rule." London v. Carson Pirie Scott & Co., 946 F.2d 1534, 1538 (Fed. Cir. 1991). Overzealous application of the doctrine is problematic and must be avoided as, otherwise, "(c)ompetitors will never know whether their actions infringe a granted patent." Id.; see also International Visual Corp. v. Crown Metal Mfg. Co., 991 F.2d 768, 773-74 (Fed. Cir. 1993) (Lourie, J. concurring) (describing the doctrine as "much troubled" and counseling against its mechanical application).

Proceeding under the doctrine of equivalents "does not mean that one can ignore claim limitations." Pennwalt Corp. v. Durland-Wayland, Inc.,833 F.2d 931, 935 (Fed. Cir. 1987), cert. denied, 485 U.S. 961, 1099 (1988). Thus, a patent owner may not "'under the guise of applying the doctrine of equivalents, erase a plethora of meaningful structural and functional limitations of the claim on which the public is entitled to rely in avoiding infringement.'" Id. (quoting Perkin-Elmer Corp. v. Westinghouse Elec. Corp., 822 F.2d 1528, 1532-33 (Fed. Cir. 1987)). And, as with literal infringement, "'(i)t is ...well settled that each element of a claim is material and essential, and that in order fro a court to find infringement, the plaintiff must show the presence of ...the substantial equivalent (of every element) in the accused device.'" Id. (first omission in original) (internal quotation marks omitted) (quoting Perkin-Elmer, 822 F.2d at 1532-33).

Based on the features discussed above, see supra part III.D.1, it is clear from comparing the accused product with the subject matter disclosed in the '099 Patent that the Reebok shoes do, quite substantially, change the way in which the claimed invention is performed. That is, the use of an air bladder on top of the sole is a substantial change from a bladder within a pocket in the heel of the shoe; the use of a sole of uniform density is a substantial change from a sole with three regions of varying compliant yieldability; the absence of a plurality of rectangular clusters is a substantial change from a shoe containing such a feature; and the absence of a valve protruding through the sidewall is a substantial change from the use of such a valve. (Additionally, as defendant notes, Reebok's basic configuration has been contemplated in various patents

dating back at least to 1895.(Footnote 18))

To cite a specific example, defendant notes that plaintiff has not introduced evidence to show that the "glued junction" performs the same function (the first Graver factor) as the internal wall taught in the '099 Patent. Inner wall 32, shown clearly in figure 4 of the patent, provides, "direct load-bearing support" for plate 39, thus assuring "against any 'mushy' feeling or action within" the heel region. ('099 Patent, col. 4, lines 44-48.) As plaintiff failed to show, or even

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Footnote 18:

For example, Patent No. 545,705 to MacDonald, issued in September 1895, discloses an "air-tight" pneumatic cushioned sole or pad sandwiched between the shoe's sole and an overlaying "attaching flap." (Mot., Ex. 2.) Patent No. 2,080469 to Gilbert, issued in May 1937, discloses a "pneumatic or inflatable foot correction appliance depending upon imprisoned air "that sits atop the shoe's sole. (Id., Ex. 3.) Similarly, Patent No. 2,600,239 to Gilbert, issued in June 1952, discloses another "pneumatic insole," this one being "inflatable to a desired extent" through an "air valve." (Id., Ex. 4.)

suggest, that the glued junction performs this same function, it simply cannot be considered to be equivalent to the inner wall.

Further plaintiff has not introduced any evidence that would suggest the defendant copied Stutz's patent or created the accused Pump shoes by designing around the claimed material.

Based at least on the foregoing, the Court FINDS that this is not a proper case for application of the equitable doctrine of equivalents, and that summary judgment must be GRANTED in favor of defendant on plaintiff's claim of equivalent infringement.

As it is clear that Reebok's accused shoes neither literally nor equivalently infringe Claims 12 and 18 of the '099 Patent, defendant's motion for summary judgment must be GRANTED in its entirety, and plaintiff's complaint for patent infringement must be dismissed.

3. ATTORNEYS' FEES

Finally, Reebok urges the Court to declare this case to be exceptional under 35 U.S.C. 285, thus allowing defendant to recover its attorneys' fees.

"The court in exceptional (patent) cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. 285. "(I)n certain instances, a 'frivolous' case can be 'exceptional' for purposes of (285). Haynes Int'l, Inc. v. Jessop Steel Co., 8 F.3d 1573, 1579 (Fed. Cir. 1993). "A frivolous infringement suit is one which the patentee knew or, on reasonable investigation, should have known, was baseless." Id. The party moving for attorneys' fees bears the burden of proving the exceptional nature of the case by clear and convincing evidence. Carroll Touch, 15 F.3d at 1584.

In sum, Reebok argues that this is an exceptional case because plaintiff was manifestly unreasonable in assessing infringement. Although the Court is inclined to agree with Reebok that plaintiff's, and plaintiff's counsel's, performance

was less than sterling here, the Court cannot take the further step and state that this suit was baseless to a clear and convincing standard. Although it was disclosed late in the game, the Reagin declaration presented a good faith, albeit erroneous, theory of infringement. Further, the Court is not inclined to find a case exceptional based on the simple bumbling about of counsel; although such behavior makes the case more difficult to all concerned, it does not indicate clearly and convincingly that the action was wholly without merit.

Reebok's motion under 35 U.S.C. 285 is therefore DENIED.

V. CONCLUSION

As summary judgment must be entered in favor of defendant on both of plaintiff's complaints, this action must be, and hereby is, DISMISSED. Judgment must therefore be ENTERED accordingly. Defendant's request for fees, however, is hereby DENIED.

SO ORDERED.

Dated: 8/29/95

Signed: Lourdes Baird

LOURDES G. BAIRD

United States District Judge

APPENDIX C

LETTERS FROM REEBOK TO STUTZ MOTOR CAR OF AMERICA, INC.

TEXT OF LETTER TO STUTZ MOTOR CAR OF AMERICA, INC.'S AGENT 'WILLIAM COHEN' FROM REEBOK INTERNATIONAL LTD.'S DIRECTOR OF MARKETING RESEARCH 'BETSY RICHARDSON'

June 5, 1986

Mr. William Cohen

Footloose

90 Massapog Road

Sharon, MA. 02067

Dear Bill,

This letter is to inform you of our intent to further evaluate the shoe which you gave us last month. As per our

conversation, we will evaluate your sample from a technical and legal point of view. I have asked you to communicate your pattern protection to our General Counsel, Mr. Jack Douglas, for his evaluation. And secondly, I would ask that you forward any technical evaluation of your product to Mr. Doug Stewart, for his evaluation.

It is our intent to have this product evaluated by the end of June, and have a definitive answer for you of our interest in pursuing development of this product. I appreciate your giving Reebok the opportunity to work with you on this product and promise you that it shall have our most sincere attention.

Looking forward to seeing you at month's end.

Sincerely,

REEBOK INTERNATIONAL LTD.

Signed: Betsy Richardson

Betsy Richardson

Director of Marketing

BR/pmc

cc: Jack Douglas

Paul Fireman

Doug Stewart

Reebok International Ltd., 500 Bodwell Street Extension, Avon, MA 02322 U.S.A. 617-580-1600 Telex 951028

TEXT OF LETTER TO STUTZ MOTOR CAR OF AMERICA, INC.'S AGENT 'BILL COHEN' FROM REEBOK INTERNATIONAL LTD.'S DIRECTOR OF RESEARCH 'DOUGLAS J. STEWART, PH.D.'

Reebok International Ltd.

Reebok International Ltd.
40 Norfolk Avenue
Easton, MA 02375

July 8, 1986

Mr. Bill Cohen
Footloose Associates Inc.
90 Massapoag Ave.
Sharon, MA. 02067

Dear Bill,

As per our telephone conversation, I am writing to let you know of my thoughts/concerns re: the "air bladder concept.

An important question still to be answered is **whether the valve will hold air for an extended period of time.**

An appropriate test might be to repeatedly mechanically impact the bladder, and in between doing this, repeatedly insert the pump needle into it, wiggling it around as a consumer might. The valve probably must be durable enough to last at least an equivalent year's rough abuse. One might even need to develop a totally different kind of pump/valve system, perhaps using a self-pumping apparatus.

Bill, the difficulty we have at the moment is in being able to expend the considerable time and effort that we feel might be necessary to perfect this system. We will be very much on the lookout for such a valve and/or system, and are uncertain as to when we might be able to develop one ourselves.

Sincerely,

Signed: Doug

Douglas J. Stewart, Ph.D.

Director of Research

cc: Steve Liggett

Sam Pease

Betsy Richardson

TEXT OF LETTER TO STUTZ MOTOR CAR OF AMERICA, INC.'S AGENT 'BILL COHEN' FROM REEBOK INTERNATIONAL LTD.'S DIRECTOR OF MARKETING RESEARCH 'BETSY RICHARDSON'



July 21, 1986

Mr. Bill Cohen

Foot Loose Associates, Inc.

90 Massapoage Avenue

Sharon, MA. 02067

Dear Bill,

By now you have received Doug Stewart's letter which we discussed at some length last week. I have also had a lengthy

discussion with Steve Liggett about this entire project and as I said to you on the phone, I believe that it is not a project appropriate for Reebok at this time.

Although it is an enticing concept, we have both agreed that it needs a great deal of research, testing and investment before it can be brought to the consumer and at present, we have a substantial number of projects that surpass this one in short term application. There is also a project which has been underway in our R & D Department for some time, and though it does not involve air bladder, it does involve very similar benefits for the consumer, and as such, we do not see the need to duplicate these efforts.

As I said to you on the phone, I now think that you should move beyond Reebok to investigate possible options for your project. We very much appreciate your giving us the opportunity to evaluate this and are sure that you will find a good match for this concept in the future. Don't hesitate to come to us again with a new idea in either the technical or design areas.

We wish you the best of luck and would be happy to be of help in any way if that would be possible.

Sincerely,

REEBOK INTERNATIONAL LTD.

Signed: Betsy Richardson

Betsy Richardson

Director of Marketing

BR/pmc

cc: Paul Fireman, Steve Liggett, Doug Stewart

Reebok International Ltd., 500 Bodwell Street Extension, Avon, MA 02322 U.S.A. 617-580-1600 Telex 951028

ATTORNEY FOR PETITIONER

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